



## Industrial policy for quality jobs Social conditionalities for social progress

Adopted at the Executive Committee meeting of 24-25 June 2024

### A momentum for social conditionalities

Trade unions call for a European industrial policy for quality jobs. Social conditionalities are a fundamental building block for an effective industrial policy. It must be guaranteed that taxpayers' money is used to pursue the common good, including when supporting companies. One of the tools to achieve this is social conditionalities.

The ETUC calls for social conditionalities to be introduced for all forms of public funding and support to companies, as well as environmental and tax conditionalities.

International, EU and national examples and precedents have proven that social conditionalities work for both the economy and working people. Enrico Letta's report "*Much more than a market*" highlights the important role that social conditionalities should play and stresses the positive example of the US Inflation Reduction Act in this area. Successful practices and examples can also be found at national level in the EU. Workers' and collective agreements are mentioned as one of the possible objectives of such conditionalities. The EU institutions should build upon these recommendations.

Social conditionalities are a key objective for the trade union movement not only at EU level, but also at national level, for countries both inside and outside the European Union.

### When should social conditionalities apply?

Social conditionalities must be included in all forms of public EU and national direct and indirect funding and support to businesses, as well as environmental and tax conditionalities.

Social conditionalities need to take into account specific sectoral realities and sectoral needs, as well as national specificities. Social conditionalities should be established with the involvement of social partners, including at sector level. Social conditionalities are closely linked to, and must be guaranteed with, progressive public procurement.

Social conditionalities can be introduced – depending on the instruments under discussion – as:

- Ex-ante eligibility criteria for applying for funds / benefits / support (e.g. excluding abnormally low tenders, excluding employers that do not respect applicable



labour standards, engage in union busting practices, social fraud or exploitation, refuse to collectively bargain, infringe health and safety requirements, engage in wage theft..);

- Objectives for funds / support schemes (e.g. ensuring creation of quality jobs with fair wages, promoting stable employment..);
- Award criteria (e.g. ensuring that award criteria favor companies with collective agreements in tender procedures, companies that create direct jobs demonstrating the capability to execute the works with its own workforce);
- Conditions for recipients of funds / support schemes (e.g. creating a percentage of quality apprenticeships, achieving zero accidents at work, percentage of workers directly hired ..).

The ETUC supports the Letta Report recognition that “*conditionalities must be operational, measurable, verifiable, and enforce consequences in instances of non-compliance*”. We call for effective enforcement and control mechanisms to be introduced for violations, including complaint possibilities and effective and dissuasive sanctions. An alert mechanism should be introduced with the possibility for the trade unions in the company to raise a complaint in case the social conditionalities are not being respected. Enforceable decisions having identified the violation of a set of workers’ rights should lead to the partial deduction or total compensation of received public funding. Also, social conditionalities must be respected throughout the supply and subcontracting chains. Trade unions at the level of the main contractor should have the right to monitor working conditions throughout the chain of subcontracting. To increase transparency in the allocation of public aid received, each Member State should publish annually an accessible register of aid granted to each company.

Following EFFAT mobilisation, social conditionalities were included for the first time in the reform of the Common Agricultural Policy. This demonstrates that social conditionalities can be achieved and introduced into further policy fields and instruments.

## What should social conditionalities cover?

Social conditionalities should promote quality jobs. According to ETUC definition, this means (i) collective bargaining, (ii) full respect for workers and trade union rights, (iii) fair wages, (iv) work security and social protection, (v) training without costs and during working time, (vi) good working conditions, (vii) health and safety at the workplace, (viii) work-life balance, (ix) equality and non-discrimination.

Social conditionalities should include:

- Ensuring the full respect for workers and trade union rights and other human rights;
- Promoting collective bargaining and ensure the respect of collective agreements;
- Guaranteeing participation, information and consultation of trade unions and workers’ representatives;
- Ensuring quality jobs creation, including fair wages, good working conditions, health and safety at the workplace, job security and social protection, work-life balance, while promoting direct employment;
- Supporting upskilling and reskilling and the creation of high-quality apprenticeships;
- Guaranteeing anticipation and management of change and ensuring a just transition in practice in particular by avoiding redundancies or the deterioration of working conditions;
- Limiting subcontracting chains and ensuring that where sub-contractors are in place the same social conditionalities apply;



- Banning extraordinary dividend payments and increasing the share of profit that is re-invested in the company and shared equitably with workers;
- Contributing to eliminate the pay gap between men and women;
- Ensuring that beneficiary companies do not relocate their activities to countries with lower standards, including to tackle tax dumping practices;
- Ensuring that public money does not support employers that undermine workers and trade union rights.

### Introducing social conditionalities

The ETUC call for social conditionalities is an integral part of an ambitious European industrial policy, and should be included in the revision of the different EU funds and in the state aid framework, including in the framework of the next Multiannual Financial Framework – possibly also through a horizontal instrument. Environmental and tax conditionalities should be introduced as well.

Social conditionalities should also constitute key pillars for national industrial policies and be included in funding and support to businesses also at sectoral and national level. Trade unions will share sectoral and national achievements in this area, to ensure that it is possible to take inspiration and example from trade union victories across Europe in this area.

Social conditionalities must also be included in reconstruction programmes, including in Ukraine, as well as in support projects. Alignment with other EU pieces of legislation, as well as with relevant ILO conventions is essential.

The ETUC also reiterates its call for a revision of the **EU public procurement Directives** to ensure that public money goes to organisations that respect workers' and trade union rights, that negotiate with trade unions and whose workers are covered by collective agreements. Also, the ETUC recalls the necessity to regulate the role of labour intermediaries and introduce an EU general legal framework limiting subcontracting and ensuring joint and several liability through the subcontracting chain.